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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 008381

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SUBJECT: THE NEW GOVERNMENT'S CORE ECONOMIC TEAM

REF: ANKARA 6259

Classified by Econ Counselor Scot Marciel for reasons 1.5 (b, d).

1. (C) The new Government Cabinet was announced by Prime Minister Abdullah Gul, following his meeting with President Sezer November 18. Following are post's informal biographical notes on several of the likely key economic players. When asked at the press conference "who will be the economy minister," Gul was careful to state that the detailed portfolios have not yet been determined. But it appears likely that DPM Sener will be in charge of economic affairs, with State Minister Babacan overseeing the Treasury, and State Minister Tuzmen overseeing Foreign Trade. Because AK is reducing the number of ministries (from 38 to 24), these positions may not correspond exactly to existing ministerial positions.

Deputy Prime Minister Abdullatif Sener

2. (U) Sener was the AK Party's Chief of Operations, and is one of three deputy ministers. He served as Finance Minister in 1996-97 under the Refah Yol Government. Born in 1954, he has a BA from Ankara University's elite Political Science faculty in 1977, a PhD in economics from Ankara's Gazi University, and served on the economic faculty of Ankara's Hacettepe University in the 1980's, rising to the post of Assistant Dean.

3. (C) Sener, in our initial meeting with him, projected confidence in AK's mandate and in his ability to get things done within the party. He can sometimes takes a hard line, but then shows flexibility in negotiations. He stressed that Turkey needed to strengthen its engagement with the outside world, including the international financial community. He speaks little to no English, and comes from the Chechen ethnic group in Turkey (his family, like thousands of others, immigrated to Turkey from the Caucasus in the late 19th century).

State Minister Ali Babacan

4. (C) Babacan was Coordinator of AK's Economic Committee, and was in charge of the party's outreach to the international financial community. He led the party's early October "road show" to Frankfurt, London and Europe, and initiated several pre-election meetings with IMF resrep (AK was the only political party to meet with IMF.) Babacan told us he wrote the economic sections of the party's platform (see www.akparti.org.tr). He acted as press spin control for some pre and post-"mis-statements" by other AK figures. He is considered the most "market friendly" figure for the markets, and is likely to get the Treasury portfolio.

5. (U) Born in 1967, Babacan is the youngest member of the Cabinet. He has an MBA in marketing from Northwestern University (1992), and an industrial engineering degree from Ankara's Middle East Technical University (1989). He worked for a bank consulting firm, QRM, Inc. in Chicago, from 1992-94. Since 1994, he has run the family wholesale textile business in Ankara. He has also acted as an advisor to the Mayor of Ankara Gokcek, helping to arrange project financing. He speaks fluent English.

6. (C) In our frequent meetings with Babacan since August, we are impressed with his general intelligence, knowledge of financial markets and economic fundamentals. But, as banking and market contacts have many times reiterated, Babacan has

no experience managing an economic reform program. His lack of experience can be overcome by working closely with the Turkish Treasury's experienced staff and the IMF. But his degree of freedom and ability to make policy will be an initial question mark, given AK's centralized process of decision-making.

State Minister Kursad Tuzmen

17. (C) Tuzmen was elected an AK Party MP from Gaziantep in the November elections, but is best known to Washington interlocutors as the former Undersecretary of Foreign Trade. In that position, he was considered close to the prior government's coalition partner MHP, though he clashed frequently with his State Minister Tuncay Toskay. He is a strong, even vociferous advocate of Turkish industry, and has in the past brought industry reps into bilateral U.S.-Turkey meetings. Tuzmen has a forceful personality, and often is combative. As Foreign Trade U/S, he demonstrated keen interest in promoting trade with Iraq, and led several Turkish business delegations to Baghdad.

18. (U) Tuzmen rose up in the Foreign Trade Undersecretariat bureaucracy, becoming a director general of Free Zones, and then Deputy Undersecretary. For his work on behalf of the duty free zone businesses, he was awarded "Bureaucrat of the Year" by a Turkish business magazine in 2001. He had earlier served as an expert on duty free zones in the State Planning Organization. Tuzmen speaks English, with a BS in management from the Middle East Technical University and an MBA from the University of Illinois.

Minister of Industry and Commerce Ali Coskun

19. (C) Ali Coskun, born in 1939, is AK's Vice Chairman of Economic Affairs and a well known, pro-Islamist Istanbul businessman. In frequent meetings beginning in August, he strikes us as an "old school" Turkish businessman who sees the state's role in the economy as largely to subsidize private industry, through the traditional channels of below-market loans for exports and other means. He opposed the establishment of the independent banking board BRSA in 2000, and has continued to criticize it. At the same time, he deferred in our meetings to other AK figures like Babacan, younger than him, who had differing ideas. His ministerial job as an advocate for industry and the "real sector" may not grant him much control over policy, which is good. He is not dogmatic, and has a good sense of humor.

110. (U) Coskun is a former ANAP supporter, who after the death of President Ozal joined Refah. He was elected to parliament first as a Refah deputy from Istanbul and then from the Refah successor Fazilet Party. He has served as an executive of several semi-official business associations: a founding member of the Foreign Economic Relations Board (DEIK); its U.S. branch, the Turkish American Business Association (TABA); and the Union of Chambers of Commerce of Islamic Countries. He owns several ceramic tile factories in Istanbul. His other main business was as Chairman of an Islamic bank - Ihlas Finans - which went bankrupt in February 2001.

Minister of Energy Hilmi Guler

111. (C) Guler has been head of AK's research and development group. Born in 1949, he graduated from Ankara's Middle East Technical University with a degree in metallurgical engineering. He worked in the Turkish Aircraft Industry as a project engineer, and later served on the boards of several public sector entities, including TUBITAK (Turkish Scientific and Technical Research Organization), IGDAS (the Istanbul Gas Distribution Company) and Erdemir (the state-owned steel giant), and Etibank (the former state bank mandated to support the mining industry, later privatized and now bankrupt). In Embassy's initial meetings, Guler struck us as reasonable and pragmatic.

Minister of Finance Kemal Unakitan

112. (U) Unakitan is a relative unknown with whom Embassy has never met. He was named at the last-minute to replace Tayyip Erdogan as an Istanbul parliamentary candidate when Erdogan

was prohibited from running. We have heard that he worked with Erdogan in a financial capacity in the Istanbul municipality. He worked as a Finance Ministry auditor, and then served as President of Turkey's Pulp and Paper Association under Prime Minister Demirel in 1978. He has previously served as a board member of the Islamic bank Al-Baraka Turk, and currently sits on the board of Family Finans, previously known as Feisal Finans (an Islamic bank partly owned by Saudis).

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